JPRS 81059

15 June 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2282

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS 81059

15 June 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2282

CONTENTS

INTERNATIONAL AFFAIRS

CEMA Multilateral Committee Discussions Viewed (ZAHRANICNI OBCHOD, No 2, 1982) 1

Shiryayev Article on CEMA Integration, by Jaroslav Nykryn
Role of Management Systems in Foreign Economic Relations, by Judita Stouracova

Yugoslav, Soviet Officials Discuss Mutual Trade (Boris Andreevich Borisov, Straso Hristov; PRIVREDNI PREGLED, 12 May 82) 9

Raw Materials, CEMA Cooperation Discussed (Pawel Glikman; SPRAWY MIEDZYNARODOWE, Jul 82)....... 15

CZECHOSLOVAKIA

Agricultural Insurance, Reserve Funds Described (Karol Vlachynsky; FINANCE A UVER, No 2, 1982) 31

CEMA MULTILATERAL COMMITTEE DISCUSSIONS VIEWED

Shiryayev Article on CEMA Integration

Prague ZAHRANICNI OBCHOD in Czech No 2, 1982 pp 13-14

[Article by Jaroslav Nykryn: "An Interesting Contribution to the Theory of Socialist Economic Integration"; passages within slantlines in boldface]

[Text] Yuri Shiriaev, director of the International Institute of Economic Problems of the World Socialist System in Moscow, has published in the January issue of the magazine FOREIGN TRADE an unusually interesting and significant article entitled "Problems of Developing Direct Relations Among Economic Organizations of the CEMA Member States." No doubt from certain aspects this article can be considered an outstanding contribution to the development of the theory of socialist economic integration. Due to this circumstance, after having read it I am adding my own point of view to some of the questions covered by the author. At the same time, I presume that it would be very useful if Yuri Shiriaev's article drew attention from other workers in our economic theory and practice.

It was by no means easy to translate the original text of the article into Czech, especially as far as the /terminology/ is concerned. In the original, Shiriaev uses the term "neprosredstvennye proizvodstvennye svyazi," for which it is tempting to use the literal, though not quite correct, translation "direct production relations." In this case a term would be used which could be connected with an already deep-rooted economic category "production relations" as an antithesis to "production forces." That is why it is more correct to use a simplified translation "direct relations" which had also been used for the mentioned term in the Czech edition of the Complex Program, or to use suitable descriptions, such as "direct production collaboration," "direct relations in production," etc.

Right at the beginning Shiriaev draws attention to some confusion involving the very /conception of the "directness" of relations/ among economic organizations of the CEMA countries. I think it is questionable whether the issue is important, or only of secondary significance. The author tends to favor the latter opinion, when he says that if e.g., cooperation is as a rule brought about by means of foreign-trade organizations, it by no means changes the essence of the issue. It can be deduced from his article that one has to distinguish between cases when production cooperation is implemented without any mediating organizations of foreign trade, and cases when these organizations act as middlemen in the relations between direct producers. The former case is concerned with "direct relations" in a pure form, the latter involves direct relations "mediated." The author is right to prefer content to form, on the other hand, however, it is still also necessary to analyze the form more thoroughly. There are several reasons for this:

1. A question arises whether the entrance of foreign-trade organizations into relations among producers in any of the various cases of implementation of direct relations (scientific-technical cooperation, common research and development, production specialization and cooperation, joint investment, joint undertaking, etc.) is a hindrance, or the opposite, that is, a stimulus, in their development;

2. In all cases, the problem of direct relations involves national mechanisms of managing foreign economic relations, in general first of all the question of state monopoly of foreign trade which is solved in individual CEMA countries in different ways. In a more concrete way, it especially involves the national supplier-purchaser relations which arise in the process of implementation between producers and foreign-trade organizations in all cases when these organizations obligatorily represent the producer;

3. The problem of direct relations is becoming an international problem of all CEMA countries, being internationalized in parallel with the internationalization of production, and the differences in national forms of the implementation are, in my opinion, a certain hindrance to development.

I see /the principal significance/ of Shiriaev's article in the fact that in it the author deals with a problem which is relevant in the economic cooperation among economic organizations of CEMA countries, and consequently in the whole process of deepening socialist economic integration. Despite its mentioned relevance--which so far has been potential rather than real--during the 10 years since the acceptance of the Complex Program in 1971 this problem has not been, at least not in this country, subjected to a deeper theoretical examination, nor has it been respected in practice, except for some sporadic cases. In my opinion, it would not be an overstatement to claim that in the sense of I. Shiriaev's article, direct relations belong, or may belong, to those basic factors of a faster and more effective development of socialist economic integration which include, e.g., coordination of national economic plans, or long-term target programs of cooperation among the CEMA member countries. The importance of direct relations can be seen in the fact that they represent the following factors:
--desired internationalization of production in countries with socialist systems, the advantages of which are directness, tangibility, and a high (potential) economic efffectivity;
--accelerating the international transfer of scientific and technical findings, as well as of production experiences within the framework of these countries;
--contributing directly to the desired "integrative" way of thinking, the importance of which is still being underestimated, and which can be favorably

influenced by the directness of real working relations between technicians, economists and workers of various national economic organizations.

Direct relations in production, or let us say direct production cooperation can substantially contribute to the development of an effective distribution of production programs of the cooperating production organizations of individual CEMA countries. It can also lead to an increase in serial production with all the positive consequences ensuing from it for the area of work productivity, production unit cost sensitivity, as well as production quality, and, finally, also for export potential.

I. Shiriaev mentions certain permanent trends in enforcing the elements of direct relations, and also the experiences gained in this field so far, which should be evaluated. In this point I fully agree with him. Perhaps in this connection it might be worthwhile to present a certain simple survey of this development in a sense of forming categories, that is, to outline some differences and /degrees of intensity of direct relations/ in the production area. In my opinion, here lies the focus of the problem which also holds Shiriaev's concentrated attention, although in his article he disccuses direct relations in a broader sense (that is, on the level of ministries and central authorities). In this sense, direct relations are enforced as follows:

I. Within the framework of interstate economic organizations such as Intermetal, and of international economic organizations such as Interatomenergo; in the former case the intensity of direct relations does not reach--because of having been mediated--the same extent as that of the latter case; this ensues from the functions of these organizations and from differences in implementing the budget;

2. Within the framework of joint enterprises of the CEMA countries, that is, organizations such as Haldex, when it is a matter of clean-cut budgetary formations with full economic and legal subjectivity; the intensity of direct relations is in this case, which of course so far occurs as a sporadic exception, higher than in previous cases;

3. Within framework of fulfilling joint research and development tasks of scientific and research institutions of the CEMA countries, whether of multilateral or bilateral nature; here a high intensity of direct relations is involved which I am "including" in the production sphere as a potential component of direct production cooperation;

4. Within the framework of a joint large-scale investment ventures, such as the Soyuz gas line, where a high intensity of direct relations is involved in connection with solving internationally unusually significant tasks;

5. Within the framework of production cooperation based on production specialization and coproduction, when direct relations in the production sphere are most intensive in the section which belongs to the most basic factors--and for Czechoslovak economics also the most hopeful ones--of a further economic development. However, it is to be added that until now among the agreements on specialization and production cooperation, e.g.,

> between Czechoslovakia and other CEMA member states, those on specialization have prevailed, not those on cooperation or coproduction which objectively enable, even assume, the directness of economic relations.

In accordance with the spirit of Shiriaev's article it is necessary to point out that the more complex and challenging the given production branch, technically, technologically and from the aspect of the world pace in innovations, the greater is the significance of direct production cooperation among technicians, engineers, economists and workers of manufacturing plants in socialist countries, and the more important is their direct, fast and operative cooperation in the implementation of planned projects. This applies especially to engineering industries in general, and to nuclear techniques, electronics and microelectronics in particular, although it is also impossible to overlook reserves in such classic production branches which include, e.g., the production of machine tools, tractors, cars, or highway and construction equipment.

Shiriaev points out the sporadic nature of direct relations in one case, and their regularity in another. Measures which have already been taken, but even more those which should be taken in order to gradually deepen direct relations in the production sphere among the CEMA member states on the level of production organizations, are supposed to follow the rational trend from /accidental to planned issues/, that is, from sporadic to regular in nature. This is far from being simple, of course, because such measures require first of all a substantial rapprochement of national approaches to this task, especially in those elements of national mechanisms of managing foreign economic relations which so far have been construed and applied in different ways. However, here we can draw attention to considerable reserves which are being offered in the area of coproduction, involving also the phase of research and development. As a matter of fact, the very substance of the mentioned agreements, especially their long terms (in engineering industries we can count on an average validity of 5-7 years and more) and flexible stability (by flexibility I mean here the necessity of including into cooperation agreements necessary amendments on technological and technical modernization of joint production and on innovation of products), significantly support the planwise nature and permanency of the development of direct relations. The same applies to cases of participation in joint ventures and in big investment projects.

The most important factor in the development of direct relations on the enterprise level is the /formation of more general preconditions/ of their implementation on the level of central authorities, that is of corresponding branch ministries of individual CEMA countries. Nevertheless it seems that there is no narrow profile in this sense, and at present people are rather concerned that the enterprise sphere would take more advantage of the already existing international agreements on this level. More often the setbacks can be found in the low initiative of production enterprises (in Czechoslovakia it is the middle link, that is, the VHJ [economic production unit]). which, on the other hand, hits certain barriers of both an objective and subjective nature worth being mentioned in more details (however, this concise contribution makes it impossible), I would like to remark at least briefly that from the aspect of the middle link in management, that is, from the aspect of production enterprises, barriers of an objective nature include some measures in the field of national mechanisms of management (the system of supplier-purchaser relations, the fixing of wholesale prices, the adjustment of internal converting rules, or national rates of exchange, etc., inclusive of some questions or organization of the enterprise base of foreign trade) carried out by the "center" and standing up against the enterprise sphere of production in an objectivized form; barriers of a sujective nature include the "customary" unwillingness to undergo certain risks and to change the stereotypes of management, even those of thinking.

Of an unusual importance for the development of direct relations through production is economic cooperation, first of all /the price basis/, or price conditions of cooperative agreements. It is necessary to distinguish between internal prices of materials, of cooperative components of finalized cooperative products, and other activities connected with the fulfilling of cooperative agreements on the one hand; and between foreign prices of all these elements on the other, when mutual supplies take place "inside" the cooperative agreement. There are well-known cases when a certain cooperative agreement, e.g., coproduction and finalization, is for both partners quite explicitly advantageous from the purely technical and technological points of view. Direct production cooperation, direct relations in production are evidently being offered as technically effective for both sides. If the problem of cooperation in creating relevant use values is viewed from the aspect of technical parameters, everything is all right. However, as soon as the same problem is beginning to be enforced from the aspect of economic effectiveness, and price parameters are added to technical parameters, too, it happens that the agreement in question is less advantageous than expected, or downright disadvantageous for one or the other partner, or even for both. The roots of this paradox are in the differences of price fixing in individual countries, and also in different methods of economic stimulation. Shiriaev is right in stating that national systems of management of cooperative relations often, e.g., are quicker to stimulate final production than cooperation in semifinished articles, that is semifinal production. Under these conditions internal enterprise budgets, or internal economic calculations of participating enterprises, are of varying sensititivy toward foreign prices of mutual supplies within the framework of a cooperative agreement, often reacting in an opposite way from that following from purely technical conditions of cooperation.

Naturally, direct relations in production are not a self-purpose, but exclusively a means for attaining /higher effectivity and mutual advantageousness/ of all the elements of economic cooperation among the CEMA countries which can be included under the concept of direct relations. It appears to be quite explicit that the problems of direct relations cannot be viewed from the aspect of only one country, one producer, or one cooperating party; that by their substance direct relations in production are an international problem. That is why this attribute of theirs equally explicitly calls for international cooperation in this area, such as is the case also in other areas of the CEMA countries' cooperation. Here we can point out the statement of L.I. Brezhnev at the 26th CPSU Congress: "Life compels us to carry out the coordination of plans through the coordination of our entire economic policy. The daily agenda is going to include also such questions as is rapprochement of the structure of economic mechanisms; further development of direct relations among ministries, associations and enterprises participating in cooperation; as well as formation of joint companies. There are also possibilities of other forms of joining our efforts and resources."

In the conclusion of his article Shiriaev emphasizes very precisely the necessity of further measures which would lead to a desirable development of effective direct relations, especially among producers of socialist countries.

Also in our conditions, it would be useful to /contribute more to the development of these relations/. Without going into details (considering the complexity of individuals problems, as well as the conception of this article) it is possible to state at least the following keynotes:

--faster adjustment of supplier-purchaser relations between OZO [Supply and Marketing Department] and VHJ in the export-import area to international conditions of socialist economic integration in general and to the conditions of direct relations, especially in the field of production cooperation, in particular;

--to better adjust (differentiate) the enterprise basis of Czechoslovak foreign trade to the conditions of direct relations, including the solution of the question of adequate delegation;

--to strengthen the planning discipline both in production and foreign trade, especially in the export field;

--to gradually bring together value tools in the management of foreign trade and of production, among others to strive for rapprochement in the fixing of wholesale prices;

--to speed up the unification of technical standards and of production technology regulations with those of other top-level CEMA countries, especially with the view of facilitating cooperative relations.

Role of Management Systems in Foreign Economic Relations

Prague ZAHRANICNI OBCHOD in Czech No 2, 1982 p 15

[Article by Judita Stouracova: "The Role of the Management System in Socialist Foreign Economic Relations"]

[Text] On 19-23 October 1981, the proceedings of the Problem Commission for Multilateral Cooperation of the Academies of Sciences in the Socialist Countries took place in Moscow. Within its framework, there was also a session of the work group for questions of planned management of socialist foreign economic relations.

> The proceedings of this group dealt with topical questions of managing foreign economic relations of socialist countries in the conditions of the starting decade. Its participants were representatives from the Bulgarian People's Republic, the Hungarian People's Republic, the GDR, the Polish People's Republic, the USSR, and the CSSR.

In 1976, the Problem Commission for Multilateral Cooperation of the Academies of Sciences in the Socialist Countries appointed a work group for questions of planned management of socialist foreign economic relations. Members participating in the activities of this group are institutes for basic and applied research of Bulgaria, Hungary, the GDR, Poland, USSR, and CSSR. For the last 5 years the aim of the group has been to compose a comprehensive study on the management of socialist foreign economic relations, both from the standpoint of its general trends and of its specific features and solutions in individual countries. During the proceedings last year, which took place in Prague, this task was finished. The participants of the proceedings approved the final text of the assigned study which contains relatively complete information on the principles and measures of the management system for foreign relations of socialist countries in the late seventies and the early eighties. The study will be published as part of a more extensive monograph entitled "Economic Mechanism of the Operation of Socialist Economics."

Although the system of planned management of national economy is merely one of the aspects of economic development whose trends on the macroeconomic level are being laid out on the basis of central decision, and although the actual questions of economic cooperation among socialist countries are of ever-increasing importance, especially on the long-term horizon of its structure formation, the system of management in implementation of these trends can still play an important role, that is, be affecting the activity of national economic subjects which are pointed at the growth of its effectiveness.

Documents to the most recent congresses of the communist and labor parties of CEMA member countries put considerable emphasis on an intensified linkage of national economics with the international division of labor, made necessary by the changed conditions of both internal and world economic development. The interconnection of national and world economics is carried out by means of foreign economic relations. With respect to the fact that the most significant form of these relations still remains the exchange of goods with foreign countries, the striving of socialist countries for effective participation in the international division of labor in the present phase of their economic development results in the requirement of intensifying the effectiveness of their foreign trade.

Whereas in past periods the questions of the effectiveness of foreign trade were mostly examined as partial problems of economic theory, attention being paid mainly to the investigation of their criteria and of the effectiveness's direction, at the present time the growth of the effectivenss of foreign trade is becoming a topical program of the economic policies of most socialist countries. In this connection, the feature gaining in importance is the management system for the national economy as one of the factors influencing this growth, and in its framework again it is the system of managing foreign economic relations, especially those in foreign trade.

The spirit of such a conception of the role of the management system for foreign economic relations also prevailed in this year's proceedings of the work group of the Problem Commission which took place 19-23 October 1981 in Moscow. The proceedings were linked up with joint sessions of the members of all work groups of the mentioned commission (the work groups covered the following subject matter: questions of the linkage of economic mechanism to the aims and tasks of the national economic plan; questions of apprising and stimulating effective utilization of natural resources; methods of measuring and economic stimulation of scientific and technical progress with the aim of increasing the effectiveness of corporate production; economic, organizational and legal problems in the operation of productive economic organizations, such as corporations, concerns, enterprises, etc.; and problems of operation of the economic mechanism and the development of foreign economic relations) during which the representatives of individual delegations presented reports on changes and topical problems of economic mechanisms of operation of their national economies.

During the Moscow session of the work group for operational problems of economic mechanism and the development of foreign economic relations, first the schedule of activities for the period 1981-1985 was agreed upon and the subjects of joint research were approved. The problem spheres involved here are as follows:

--Respecting the requirements of the international division of labor and of socialist economic integration in the preparation of national economic plans;
--The economic mechanism of relations between foreign trade and production (economic mechanism and material interest of enterprises in structural changes of production; influence of the results of exports on the operation of enterprises, the role of imports in internal economics; economic mechanism and the adjustment of enterprises to export markets);
--Organizational forms of relations among production, internal market and foreign trade;
--Long term production relations in international cooperation and the economic mechanism;
--Questions of determining the effectivity of foreign economic relations.

The second part of the program of this work group's session was held in the form of an academic seminar. Based on the presentations of its participants, both theoretical and practical questions of relations between production organizations and those of foreign trade were discussed. Further discussions covered experiences of economic and organizational arrangement of these relations in Bulgaria, as well as experiences of the operation of industrial concerns in the GDR from the viewpoint of positive results of their action being reached in foreign economic relations. The participants of the seminar were acquainted with both plans and results of activities of the Soviet Zagranpostavka organizations, and finally they also discussed theoretical ways of solving the participation of production organizations in foreign relations.

9910
CSO: 2400/222

YUGOSLAV, SOVIET OFFICIALS DISCUSS MUTUAL TRADE

Belgrade PRIVREDNI PREGLED in Serbo-Croation 12 May 82 p 3

[Discussion with Boris Andreevich Borisov, chairman of the Presidium of the USSR Trade and Industrial Chamber and Straso Hristov, chairman of the Yugoslav Presidency of the Yugoslav Economic Chamber]

> [Text] At the invitation of the editorial board of a Soviet newspaper, the CPSU Central Committee weekly EKONOMICHESKAYA GAZETA, Slobodan Sindolic, the acting director general of PRIVREDNI PREGLED and the chief managing editor for publication, recently visited the Soviet Union. The result of this visit was an agreement between the two editorial boards to address basically the same questions to the chairman of the Presidium of the USSR Trade and Industrial Chamber, Boris Andreevich Borisov, and the chairman of the Presidency of the Yugoslav Economic Chamber, Straso Hristov.
>
> We asked the following questions: what characterizes the trade and overall economic relations of the Soviet Union and Yugoslavia today; what in particular could you say about the ties and cooperation between the Soviet Union's Trade and Industrial Chamber and the Yugoslav Economic Chamber; what the role is of the two chambers in the development and consolidation of cooperation between the economies of our countries; and how you view and assess the role of the two economic newspapers, the daily PRIVREDNI PREGLED and the weekly EKONOMICHESKAYA GAZETA, in accelerating and intensifying cooperation between the two chambers.

[Response by B.A. Borisov]

First of all, I want to emphasize that economic relations between the USSR and Yugoslavia are developing on the basis of equality, mutual benefit, and comradely mutual assistance, while taking into accout the capabilities and needs of each participating country. Soviet-Yugoslav trade is characterized by continuous dynamism. This view has also been confirmed by the words of the General Secretary of the CPSU Central Committee, the chairman of the Presidium of the Supreme Soviet of the USSR, L. I. Brezhnev: "In recent years, cooperation between our countries has been on the ascendant. It has a stable and planned nature. This applies in full to the ties of mutual interest that are making it possible for the economic foundations of our countries to be consolidated."

Speaking in terms of statistics, it may be noted that in the period from 1971 to 1975, the volume of Yugoslav-Soviet trade more than doubled in comparison with the preceding five-year period. During the five years from 1976 to 1980, our trade increased again and reached $18.1 billion, considerably exceeding the planned target of $14.2 billion. In 1980 alone, the volume of trade was equal to that of the preceding five years--$5.9 billion. The trade agreement between the USSR and the SFRY for the current five-year period provides for a further significant growth in trade, and it is expected to reach $32 billion.

Cooperation in Industry Especially Significant

The Soviet Union holds first place among Yugoslavia's trading partners: almost a third of total Yugoslav exports go to the Soviet Union. The extent and stability of our market present broad prospects for developing production in several branches of Yugoslav industry.

Economic and technical cooperation between the Soviet Union and Yugoslavia in the construction and renovation of industrial and other installations in Yugoslavia has attained imposing dimensions. As the largest of these installations, we can cite the Djerdap I hydroelectric and navigation system on the Danube, the Birac alumina mine, which has a capacity of 600,000 tons per year, and the thermoelectric stations, with a total capacity of about 2.5 million kW, in Kostolac, Lukavac, Obrenovac, Sisak, Tuzla, Negotin on the Vardar, and Zagreb.

The Soviet Union is assisting its Yugoslav comrades through its own experience in the production and enrichment of nonferrous metal ores and the production of steel, iron, and coke.

In accordance with intergovernmental agreements, our side is cooperating in the construction and renovation of more than 140 installations of the Yugoslav energy industry, metallurgy, the coal and oil refining industry, and other branches. More than 75 of them have already been completed. For their part, Yugoslav enterprises and associations are producing machines and equipment for ferrous metallurgy, to meet Soviet orders, as well as certain equipment parts for our atomic energy stations. Yugoslav shipbuilding is well known in the Soviet Union. The Split and Rijeka shipyards, as well as other Yugoslav port cities, have built dozens of passenger and freight vessels for us. Yugoslav waterways are being sailed by fast vessels of the hydrofoil and "meteor" types, as well as container ships marked "built in the USSR."

Due to the efforts of both sides, every year our cooperation is becoming more diversified, extending to new areas.

In regard to new forms of mutual economic cooperation between the Soviet Union and Yugoslavia, which demonstrate the intensification of the economic ties between the two countries, I want to stress the participation of Yugoslav enterprises in equipping installations in third countries. Yugoslav machine builders are developing special machines for metallurgical plants in Turkey, Iraq, Algeria, Sri Lanka, and other developing countries in whose national economic development the Soviet Union is participating.

The prospects for our mutual cooperation are good. The guarantee for this is the above-mentioned agreement on trade for the current five-year period, and likewise an agreement on economic and technical cooperation in the construction and renovation of Yugslav industrial and other installations. This has to do with 16 enterprises, including five electric power stations with a total capacity of 1.4 million kW. The largest of these is the Tuzla Velika thermoelectric power station. A power unit with a capacity of 500 kW is planned to be built in Yugoslavia for the first time.

Constructive Meetings Between the Heads of the Two Chambers

The new agreements between the two governments once more confirm the fact that the relations between our countries rest on stable, mutually beneficial, and long-term foundations.

It is undeniable that the two chambers are also contributing to the development of trading-economic and scientific-technical relations, and to the expansion of specialization and cooperation. It should be stated that cooperation between the two chambers is developing smoothly. The regular contacts between the heads of the chambers contribute to this to a considerable extent. I recall the trip by a delegation from the Trade and Industrial Chamber of the USSR, which I headed, to Yugoslavia in 1978. The result of that visit was the signing of an agreement on cooperation between the two chambers. This document established the basic directions for action to promote economic and scientific-technical cooperation between the two countries. The meetings with the heads of the Yugslav Economic Chamber and the economic chambers of Serbia, Macedonia, Croatia, and Montenegro were constructive. Their purpose was to contribute to expanding the existing mutually beneficial ties.

This purpose was also served by the visit to the Soviet Union of a delegation from the Yugoslav Economic Chamber, headed by chairman of the presidency Jon Srbovan in September 1981. During the talks with Srbovan, the great significance of contacts between the two chambers for good mutual economic cooperation was emphasized. A role in this has also been played by the representation from the Trade and Industrial Chamber of the USSR in Yugoslavia. We have ascertained that coordinated and planned cooperation between the chambers, taking into account the characteristics of the economic management systems in the USSR and in Yugoslavia, can and must contribute to an even greater extent to the development of mutual trade, specialization and production cooperation, and the joint completion of large projects in both countries.

During the visit to the Trade and Industrial Chamber of the Soviet Union, the delegation from the Yugoslav Economic Chamber held meetings and talks with First Deputy Chairman of the USSR Council of Ministers I. V. Arkhipov, the deputy chairman of Gosplan, N. N. Inozemtsev, the first deputy minister for foreign trade, N. D. Komarov, the first deputy chairman of the State Committee for Foreign Economic Relations, B. G. Morozov, and deputy minister of information V. N. Ginko.

During the talks, the issues of the status and prospects for the development of mutually beneficial ties between the two countries were discussed, and a set of measures for cooperating to ensure the positive development of these processes were developed.

We feel that the visit by Jon Srbovan to the USSR will contribute to the expansion of diversified ties between our chambers in all aress of their activity.

For several years, the Export Center, which operates as part of the system of the USSR Industrial and Economic Chamber, has been cooperating with Jugoslavijapublika. Between 1976 and 1981, enterprises and organizations in the SFRY participated in 33 international exhibits in the Soviet Union, and arranged 17 separate exhibits.

The directorate for commodity evaluation of the USSR Trade and Industrial Chamber is cooperating, on the basis of an agreement, with the Yugoslav inspection organization Jugoinspekt. Cooperation also exists on the basis of ten contracts on inspecting goods that we deliver to each other.

Primary Attention to Information

The Soviet Union has been participating in the international fair in Zagreb for three decades now. Good business cooperation has been established with the management of the fair and the firm Intereuropa.

I think that the significance of work on information can hardly be overestimated, especially today, at the time of a scientific and technical revolution. Considerable attention was given to this subject during our meetings with the heads of the Yugoslav Economic Chamber. For example, it was recommended that primary attention be given to increasing all forms of mutual information when the plan is drawn up for carrying out the agreement on cooperation during the forthcoming period.

I feel that the Yugoslav daily PRIVREDNI PREGLED and the Soviet weekly EKONOMICHESKAYA GAZETA could contribute a great deal to the consolidation of the mutal ties between our chambers, especially since we already have experience in cooperating with PRIVREDNI PREGLED: in 1979, I gave an interview to that newspaper, in which I acquainted the Yugoslav readers with the functional areas of activity of the Trade and Industrial Chamber of the USSR, discussed its goals and tasks, and cited examples of industrial specialization and cooperation between the two fraternal countries.

Articles devoted to these issues are also published on the pages of EKONOMICHESKAYA GAZETA.

In conclusion, I want to express my confidence that the friendly ties and mutually useful cooperation between the Soviet Union and the SFRY will be comprehensively developed in the future, as well, for the welfare of our people.

[Response by Straso Hristov]

In the last ten years, the cooperation between the Yugoslav Economic Chamber and the Trade and Industrial Chamber of the USSR has proceeded on the basis of the principles of the agreement on cooperation that was signed by our two chambers. Depending on the jurisdictions of the two chambers, this agreement specified the areas of cooperation, especially those relating to the participation of the two economies in fairs and exhibits, exchanging information on the quality of mutual consignments of goods, and rendering assistance in concluding some agreements on expanding cooperation in the areas of trade, industry, transportation, tourism, etc.

Significant Influence of the Chambers on the Development of Relations

In the cooperation of the two chambers on the basis of the agreement, particular attention was given to providing assistance in organizing mutual meetings and contacts between interested economic organizations of the two countries, exchanging experts from individual economic areas, and organizing symposia and "economics and technology days," all in order to provide better information on the production and technological capabilities of the two economies.

I particularly want to emphasize that our two chambers have signed an agreement on the general conditions for delivering goods, which regulates many significant issues in our mutual trade. Implementation of this agreement has had a positive effect on trade between economic organizations of the USSR and SFRY.

It should be noted that the overall cooperation between the two chambers has had a significant effect on the expansion of trade between our two countries, as well as on the development and expansion of new forms of cooperation. In the cooperation of our chambers, the practice has been for the chairmen of the two chambers to meet each year, and on that occasion to analyze thoroughly the experiences and results of our cooperation, and establish new areas and directions for mutual cooperation. Thus, as can be seen, bilateral cooperation between our two chambers is proceeding very successfully, for our mutual benefit and satisfaction; this is in any case also confirmed by the results.

Our experiences to date confirm that the possibilities and prospects for cooperation between the two chambers are very broad. I believe that during the forthcoming period, we will also extend our cooperation to new fields, and enrich it with new forms and content.

This year the chairman of the USSR Trade and Industrial Chamber, Comrade Borisov, will visit our country. On that occasion we will discuss thoroughly all of the possibilities for expanding cooperation between our two chambers.

I feel that the adoption of a joint program for implementing the agreement on developing mutual cooperation during the next few years ought to provide for quite specific activities in carrying out certain joint actions that the two chambers are planning. Here I am primarily thinking of organizing meetings of interested economic organizations from the two countries and discussions of the quality of consignments of goods, exchanging experience in practical application of the agreement concerning the general condition for the delivery of goods between organizations of the SFRY and USSR in order for us to acquaint each other with the export possibilities of those types of goods which have so far not been involved in mutual trade, organizing symposia in order to inform each other of new technological achievements in some economic areas, etc.

Special Place and Role of the Two Newspapers

In a word, the possibilities for cooperation between our two chambers are very broad and numerous. For our part, we will do everything necessary for cooperation during the forthcoming period to be not only continued, but even expanded to new areas.

The news media in general, both in the USSR and the SFRY, have a great and responsible task--primarily to inform readers in their countries objectively about the overall achievements of the working people of both countries, to note and encourage successful mutual economic cooperation, and to open up prospects for further promotion of the relations between the two countries. In regard to economic cooperation and especially the place and role of the two economic newspapers with particular significance and circulation, I can say that the responsibility of the two newspapers is increased, in view of the volume of trade between the two countries, its diversity, and especially the possibilities and necessity for this cooperation to be continually strengthened and developed.

My view of the contents of the two newspapers, in regard to keeping businessmen of both countries mutually informed, is basically positive.

There is a fair amount of information in both of these newspapers about how trade is developing, what the results in technical cooperation are like, and what the overall achievements in the economic development of both countries are like. On the basis of the level of mutual information that has been achieved, I think that the editorial boards of both newspapers should take a step forward, and exchange with each other as much information, of as many different kinds, as possible, in regard to the economic life of the two countries, emphasizing both the positive experiences in mutual cooperation, and the possibilities for overall economic cooperation in all complex areas to be even greater. I am confident that both editorial boards are capable of satisfying this requirement.

9909
CSO: 2800/394

RAW MATERIALS, CEMA COOPERATION DISCUSSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 7, July 1981 pp 57-72

[Article by Pawel Glikman, docent at the Institute of Scientific Policy, Technological Progress and Higher Schools: "Mineral Raw Materials in the Economies and Cooperative Efforts of the CEMA Countries"]

[Text] Raw materials represent substances and at the same time are one of the three basic factors of material production. They are unevenly distributed within individual national economies as well as on the international scale. Thus, there is not a country (more precisely, almost no country) that does not have to import raw materials. Raw materials represent about one-fourth of the world's goods turnovers; they are qualitatively comparable, and thus a strong dependence exists between their prices and utility properties. As a rule, the mineral raw materials extracted in the CEMA countries are in areas that are difficult to access, and as a result it is increasingly necessary to go to low-yield deposits. Therefore, careful management of raw materials is necessary, and as production and human needs become more intense the greater is the need for careful management.

Raw materials distribution is not proportional to the economic development levels of their producers and users. Raw materials were, and to a great extent continue to be, objects of international domination and subordination, an objective of policital strategy. They also can be the object of cooperation among nations.

All these factors, designating goods turnover on a worldwide scale, directly or indirectly have a bearing on the raw materials situation of the CEMA countries, and on their economies and mutual cooperation. Raw materials are commodities that are easily sold on the world market. Because of the possibility of alternative sale, world market prices are obligatory in the goods turnover transactions among the states of the socialist community and represent a true parameter of economic accounting. At the same time, the similar character of raw materials makes such pricing more authoritative than those regarding processed articles. As a result, CEMA countries exporting raw materials have a good argument in demanding imports from CEMA countries that are exchangeably and materially equivalent and that are no less beneficial than that which they can obtain on the world market. Thus, in practice, countries with net raw materials imports must compenstae for them with deliveries of world-standard goods. Here, however, we should cite two types of these latter goods. First, there are those goods with assured sales in the world market. If we ignore the problem of sustainability of supplies (that is, assume that these goods can be the basis for assuring long-term deliveries from the first as well as the second payment areas), then the benefits of cooperation within the framework of the socialist countries are almost zero in this realm of exchanges (equivalent alternatives). The second type is world-standard goods--offered by the CEMA countries in exchange for raw materials--which currently do not have great sales on world markets. With regard to this area of turnovers, the importing countries gain the benefit.

Countries exporting raw materials designate the remunerative period for exploiting their resources on the basis of current or forecast world prices. As a result of a mutual agreement with partners, it is possible to commit to turnovers a portion of resources that are unprofitable at a given price and which requires appropriate price adjustments. In turn, the importing countries can counter deliveries of raw materials derived from barely profitable resources with goods that deviate from world standards, which, of course, should be reflected in the prices. Both sides benefit from this type of exchange because if the principle of world prices is rigidly maintained then remunerative transactions would not be realized.

The exploitation of raw materials resources that are remunerative at current world prices can be hampered by the lack of capital resources. Then there is a need for cooperation among the interested countries based on investment credit or other forms of capital aid.

Raw Materials Resources, Their Extraction and Consumption

Because of the different roles that specific types of raw materials play in a national economy and their different technical-economic characteristics, the problem of energy carriers is justifiably examined separately from all the other mineral raw materials.

Energy Carriers

In the present structure of primary energy consumption in the CEMA countries, hydropower and atomic energy play an insignificant role.[1] Only the USSR has abundant resources of all energy carriers (crude oil, natural gas, coal). The remaining countries possess only some types of fuel; Poland and Czechoslovakia have a surplus of solid fuels. All European CEMA countries, except the USSR, are net importers of primary energy.[2] These countries cover most of their shortages with imports from the USSR. Thus the USSR's fuel situation has the utmost bearing on resolving the problem of supplying the economies of the entire grouping with energy carriers.

The Soviet Union's crude oil reserves are estimated to be about 80 billion barrels, which in all probability will be sufficient for 17 years at the current rate of extraction.[3] But inasmuch as crude-oil reserves are not disclosed in the official statistics, one must be very wary of these estimates. However, of more vital significance is the appraisal that over the last few years oil reserves have not diminished appreciably which is in line with the viewpoint that the traditional extraction regions--the Caspian Sea, the Urals and Western Siberia--are intensively exploited; but to date geologists have not discovered equivalent new oil reserves. It also is probable that the terrains on which as-of-yet undiscovered resources can be discovered will be more rather than less burdensome to exploit, which will increase extraction costs. According to the assumptions of the five-year plan, the extraction of crude oil over the next few years will stabilize at the present level; the projected increase over the entive five-year plan period is supposed to be 3-7 percent. In comparing 1980 extraction data (603 million tons together with gas condensates) with the estimated volume of present crude oil consumption (in the range of 450 tons) and taking into account the Soviet Union's payments situation, it is very probable that the export of crude oil to other CEMA countries will be rigorously maintained at the current level.[4]

The possibility of increasing the extraction of natural gas, of which the USSR has about 40 percent of total world reserves, is much greater. At the present level of extraction known reserves should be sufficient for more than 80 years. To be sure, one can anticipate that with the more rapid growth in extraction relative to the increase in resources that their relation to annual extraction will decrease over the next several years. But with regard to the probability of resources existing that exceed known resources many times, the possibility of further expanding the production of this raw material is immense. Then again, expanded cooperation among the CEMA countries to resolve the energy problem will be linked primarily with gas. Natural gas can also become the object of widely conceived cooperation between the USSR and the Western countries. The vast resources of gas in the Western Siberian Basin are located at so-called economic distances from Western Europe and the eastern shore of the U.S., but severe climate conditions requires a vast amount of capital to make these resources available for exploitation.

Rich deposits of hard and brown coal are also to be found in the USSR. Since only a small percentage (not quite 2 percent) of the geological resources have been made available for industrial exploitation, at the present level of extraction they should last for many decades. Again, the problem is not with resources as such but with their distribution. The Donets Basin contains only about 2 percent of the balance reserves, but 30 percent of the extracted coal is mined there. Altogether about 70 percent of all the coal is extracted from the European part of the USSR and only 30 percent from the eastern basins of this country. But the distribution of resources is just the opposite; thus the plan calls for the entire increase in coal production to come from the eastern regions of the country. Immense difficulties are linked with this because most coal and energy users are located throughout the European part of the USSR.[5]

In contradistinction to crude oil and natural gas, practically the entire output of coal is intended for the Soviet Union's own use (net export, that is after deducting coal imports from Poland, amounts to about 3 percent of the total coal extracted), but coal imported from the USSR plays a significant role only in Bulgaria's energy economy (about 10 percent of that country's total consumption of primary energy). Thus this type fuel can only be of significance in a direct way in the cooperative efforts of the remaining CEMA countries in the raw materials field. But expanding coal production can have an effect on changing the structure of consumption of energy carriers and thus eventually permitting additional possibilities for exporting liquid fuels.

The goal of using one's own resources to the maximum extent possible had the most substantial effect to date on the energy situation of the other CEMA countries. That is why investments were made to expand extraction capability for brown and hard coal, crude oil and natural gas even during the period of 'cheap' crude-oil prices. It is difficult to evaluate this fact unequivocally. From the viewpoint of current crude-oil prices and payments difficulties, no doubt the situation is beneficial. However, the fact of the illusiveness of long-term prognoses of world prices for raw materials must be considered. At the same time, the gamble on coal, which is harmful to the environment but is our own resource, in contravention to the cost effectiveness of prevailing parameters and diagnoses, resulted from the autarchic tendencies which survive even to date and from not taking advantage of all the opportunities that can be provided by international cooperation and exchange. What is more, while it is a fact that all long-lasting programming is linked with the risk of error which lies in the nature of prognoses, it can turn out that a variant that is evidently worse on the basis of rational premises in the planning period turns out in reality to be more beneficial.

Despite autarchic efforts, Bulgaria covered only 26.4 percent (in 1978) of its consumption of primary energy carriers with its own production, including 51.8 percent of solid fuels and about 2 percent of liquid fuels and gas. Primary electric energy (mainly hydropower) plays a relatively greater role in Bulgaria then in the other CEMA countries.

Czechoslovakia covers 66.3 percent of its consumption of primary energy carriers by its own production, including 101.5 percent of solid fuels and 3.7 percent of liquid fuels and gas (thanks mainly to the production of natural gas).

For the GDR, the respective data are as follows: 67.8 percent, 89.4 percent and 0.4 percent; for Poland--108.9 percent, 133.3 percent and 2.5 percent (73 percent relative to gas); for Romania--84.5 percent, 63.2 percent and 87.7 percent (101.5 percent relative to gas and 70 percent relative to crude oil); for Hungary--50.7 percent, 65.7 percent and 22.5 percent (including 2.8 percent for crude oil and 21.0 percent for gas).[6] Deserving of special emphasis in the fact that with regard to all the mentioned countries the relations between production and consumption are now worse than in previous years, and the relative deficit of energy carriers will continue to increase. This means that these countries will have to satisfy almost the entire increase in demand for energy carriers via imports. However, this is linked with serious problems:
1) In the CEMA countries, the structure of consumption of energy carriers is differentiated, which also means that the material structure of imports is varied;

2) In this situation, the question arises concerning imports from the capitalist countries, with all its complications, as supplements of imports mainly from the USSR. If imports within the grouping are more beneficial for the CEMA countries, but is not detrimental to the exporter, then the concern is that some countries would find themselves in a privileged situation at the expense of the remaining countries;
3) Differences in the structure of energy-carrier imports have a direct bearing not only on the cost of generating energy, and thus on the efficiency of the entire economy, but also on protecting the natural environment, which is becoming an increasingly severe problem in the CEMA countries as they develop.

Other Raw Materials

The second significant raw materials problem in the economies of the CEMA countries is the balance of metallurgical products. The industrialization model that is characteristic of the Soviet Union was adopted by the socialist countries; that means that the foundation is heavy industry, placing special emphasis on metallurgy and the machine industry with a highly developed investment sector. Within the framework of this model, the concept of an iron and steel industry with a full cycle and continuing demand for iron ore was accepted in a quite routine way. Except for Bulgaria, which covers 45 percent of its current needs for iron ore from its own resources, the other countries are forced to cover almost the entire demand via imports. Only the Soviet Union has vast iron ore resources, largely concentrated in the European part of the country. Thus deliveries from the Soviet Union are dominant in the import of this raw material even though--depending on the individual country--this import is supplemented by deliveries from third countries. Despite the fact that these deliveries are a very miportant item in the balance of payments of the CEMA countries (but incomparably less important than deliveries of energy carriers), the iron ore problem is not the most important one in the overall complex of problems associated with the development of the metallurgical industry.

A relationship exists between the structure of metallurgical products and an economy's level of development. The higher the level, the greater the share of high-quality products. In the socialist countries, products with a low degree of enrichment are still dominant in this structure, which unfavorably affects the processing of metallurgical products, investments and foreign trade. In this regard the situation in Poland is relatively the worst. In the CEMA countries (the USSR excluded), in the area of supplying their economies with nonferrous metals based on their own raw materials bases, the differentiation is quite prominent. Poland, having at its disposal substantial resources of zinc and lead ores as well as copper, is in the relatively best situation. Having a surplus, these resources permit us to satisfy our own needs and to allocate a certain amount of ore for export. Among the remaining countries (the USSR excluded), only Hungary has bauxite resources of which it is an important exporter. Some copper ore reserves are located in Bulgaria, but the ore has a low metal content and does not fully satisfy their own needs. Bulgaria also has lead and zinc, manganese, chrome and pyrite resources. The GDR and Czechoslovakia possess small amounts of various colored metals (zinc, lead, copper, manganese and nickel). Also, Romania has discovered and is exploiting zinc-lead ores and manganese. This country is one of the few gold producers in Europe. As a rule, however, the extraction of these raw materials by the latter four countries does not fully meet their own needs and to a great extent is supplemented by imports.

Raw Materials Exchange Among the CEMA Countries

The European CEMA countries must import a large portion of their raw materials needs. The singular severity of the problem is based on the fact that--in respecting the principle of reciprocity, but on the basis of cost effectiveness--the CEMA countries exporting raw materials are justified in demanding goods that are exchangeably and materially equivalent and no less beneficial than those that can be obtained in world markets. This creates many problems for the importing countries.

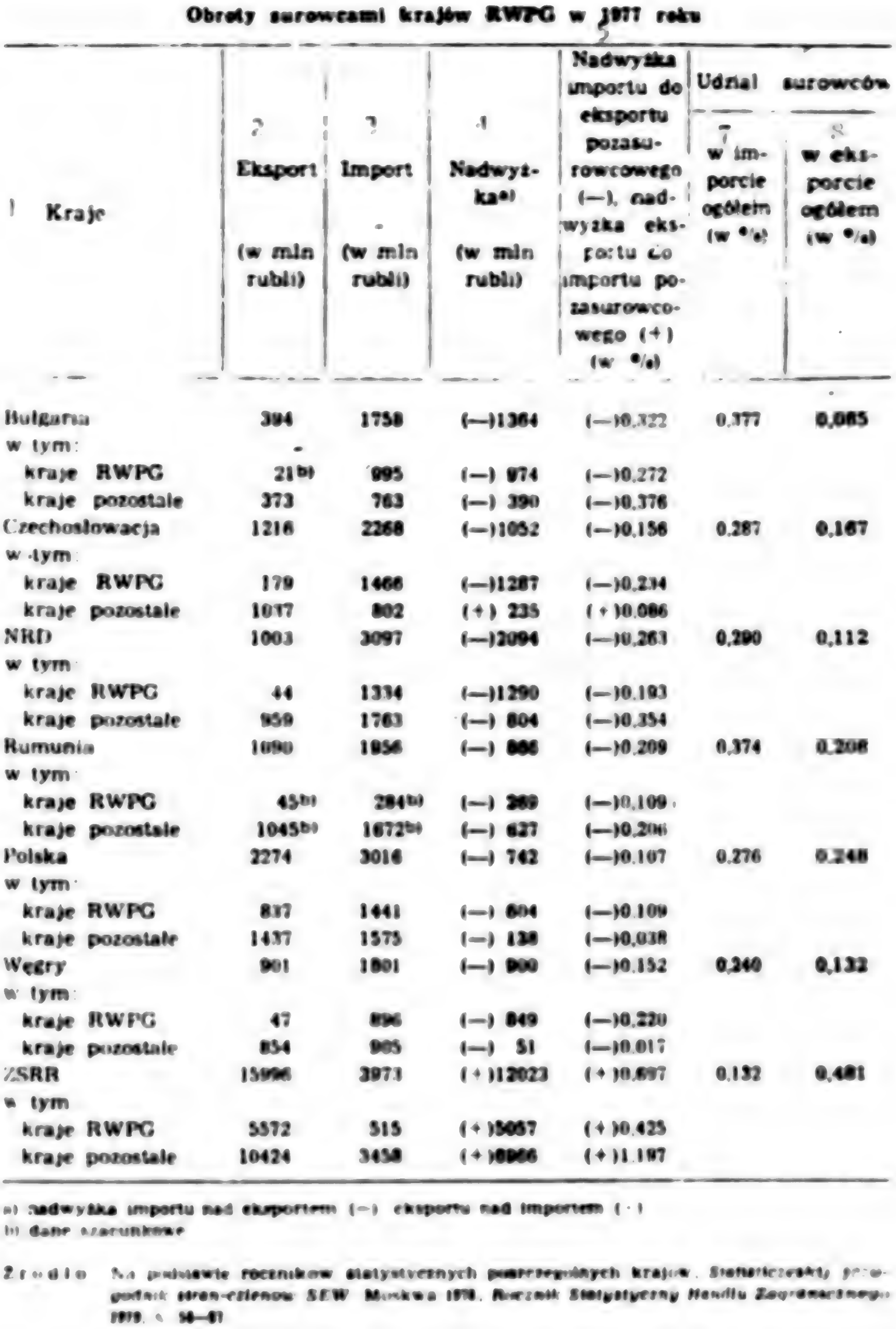
Determining the price of raw materials is another problem. In truth, in light of the trend of constantly increasing prices, the principle of establishing prices as averages of the previous 5-year period prices, which is obligatory within the CEMA framework, guarantees that in mutual turnovers they will be lower than world prices, but this also applies to exporters as well as importers. Then the problem boils down to establishing the terms of trade in raw materials/processed products relations and whether or not and to what extent countries exporting raw materials are included to accept deviations from the rule of full equivalency of raw materials without regard to the direction of their sale.

Despite differentiation of price movements for individual types of raw materials, one can speak of the overall existence of their interdependence and, in association with this, to separate turnovers of raw materials as a certain specific group in the foreign trade of the CEMA countries. We are made aware of this above all by the fact that countries having surpluses of some types of raw materials can assure supplies of other types for themselves independent of the direction of turnovers. In this regard, the situation is not the same for the individual European CEMA countries (the USSR excluded).

As indicated in the attached data, the CEMA countries (the USSR excluded) have a debit balance or raw materials turnovers. Their of coal imports ranges from 25-30 percent. The exception is Romania, where the percentage is even larger and is greater than 37 percent. The share of raw materials in exports is between 10-25 percent, with Bulgaria having the smallest (8.5 percent) and Poland the largest (24.8 percent). It is an important fact that the shares are constantly increasing for imports and decreasing for exports; in all probability this trend will continue for the foreseeable future.

The five European CEMA countries (Romania and USSR excluded) cover only about one-half of their raw materials imports with deliveries from the other countries of the grouping (mainly from the USSR) which attests to the difficulty of the problem. Romania covers its needs the least with deliveries from the CEMA countries (estimated at 14 percent) and Czechoslovakia the most (about 65 percent).

Table. Raw Material Trade in the CEMA Countries for 1977



Obroty surowcami krajów RWPG w 1977 roku

1 Kraje	2 Eksport (w mln rubli)	3 Import (w mln rubli)	4 Nadwyżka[a] (w mln rubli)	5 Nadwyżka importu do eksportu pozasurowcowego (—), nadwyżka eksportu do importu pozasurowcowego (+) (w %)	Udział surowców 7 w imporcie ogółem (w %)	8 w eksporcie ogółem (w %)
Bułgaria	394	1758	(—)1364	(—)0,322	0,377	0,085
w tym:						
kraje RWPG	21[b]	995	(—) 974	(—)0,272		
kraje pozostałe	373	763	(—) 390	(—)0,376		
Czechosłowacja	1216	2268	(—)1052	(—)0,156	0,287	0,167
w tym:						
kraje RWPG	179	1466	(—)1287	(—)0,234		
kraje pozostałe	1037	802	(+) 235	(+)0,086		
NRD	1003	3097	(—)2094	(—)0,263	0,290	0,112
w tym:						
kraje RWPG	44	1334	(—)1290	(—)0,193		
kraje pozostałe	959	1763	(—) 804	(—)0,354		
Rumunia	1090	1856	(—) 766	(—)0,209	0,374	0,208
w tym:						
kraje RWPG	45[b]	284[b]	(—) 239	(—)0,109		
kraje pozostałe	1045[b]	1672[b]	(—) 627	(—)0,206		
Polska	2274	3016	(—) 742	(—)0,107	0,276	0,248
w tym:						
kraje RWPG	837	1441	(—) 604	(—)0,109		
kraje pozostałe	1437	1575	(—) 138	(—)0,038		
Węgry	901	1801	(—) 900	(—)0,152	0,240	0,132
w tym:						
kraje RWPG	47	896	(—) 849	(—)0,220		
kraje pozostałe	854	905	(—) 51	(—)0,017		
ZSRR	15996	3973	(+)12023	(+)0,697	0,132	0,481
w tym:						
kraje RWPG	5572	515	(+)5057	(+)0,425		
kraje pozostałe	10424	3458	(+)6966	(+)1,197		

a) nadwyżka importu nad eksportem (—), eksportu nad importem (+)

b) dane szacunkowe

Źródło: Na podstawie roczników statystycznych poszczególnych krajów, *Statisticzeskij jeżegodnik stran-czlenow SEW*, Moskwa 1978, *Rocznik Statystyczny Handlu Zagranicznego* 1979, s. 58—61

[Key on following page]

Key:

1. Countries
2. Exports (in millions of rubles)
3. Imports (in millions of rubles)
4. Surplus (in millions of rubles)
5. Surplus of imports over non-raw material exports (-); surplus of exports over non-material imports (+) (in percent)
6. Share of raw materials
7. In total imports (in percent)
8. In total exports (in percent)
9. Bulgaria
10. Including
11. CEMA countries
12. All other countries
13. Czechoslovakia
14. GDR
15. Romania
16. Poland
17. Hungary
18. USSR
19. a) Surplus of imports over exports (-), exports over imports (+)
    b) Estimated data
20. Source: based on the statistical year books for the individual countries; Statisticzeskij jezogodnik stran-czelnow SEW (Statistical Yearbook of CEMA Member Countries), Moscow, 1978; ROCZNIK STATYSTYCZNY HANDLU ZAGARNICZNEGO, p 56-57, 1979

A question arises: To what degree does the import of raw materials debit the export of all other goods, or to what extent is the export of raw materials a source for financing the import of nonraw materials? As it turns out, this debit is very differentiated depending not only on the individual countries involved but also on the directions of the turnovers. Of course, the situation is diametrically different in the USSR and the remaining countries. For the latter, a debit balance in raw materials turnovers is characteristic, and in relation to this a smaller or greater portion of income from nonraw material exports must be allocated to cover net imports of raw materials (the only exception is Czechoslovakia where in 1977 the surpluse of exports over raw material imports in turnovers with third countries was a minimum).

This export deficit occurred to the greatest degree in Bulgaria (over 30 percent), and at the same time the especially strong net import of raw materials is linked with nonraw material goods in turnovers with third countries (37.6 percent). A similar situation occurred in the GDR but only in relation to third countries (debit, 35.4 percent of nonraw material exports). The smallest debit occurred in Poland (10.9 percent in turnovers with CEMA countries and 3.8 percent with third countries). In the USSR, however, the surplus of exports over raw material imports is immense. This country finances about 70 percent of its entire nonraw material imports with income from raw material exports. This percentage is smaller with regard to mutual turnovers; it is 42.5 percent, which is proof of the existence of specialization in other areas of turnover, above all in manufacturing. Regarding turnovers with the remaining countries, the subject relationship is 1.3 which indicates that the Soviet Union uses raw materials not only to pay for all remaining imports but in probability also to repay incurred credits. This results from the fact that this country is not involved in specialization with third countries in any field of production.

Of course, the above data can sufficiently illuminate the payments situation for individual countries if it concerns raw materials management but on condition that the status of indebtedness and other factors related to export pressures are known. When exports are not highly encumbered by servicing debt, the low relation of net imports of raw materials to nonraw material exports can be proof of a relatively greater field for maneuvering the economy or its specialization possibilities. But it is known that the CEMA countries, especially Poland, are to a significant degree indebted to the West; thus such an analysis should be linked with examining the payments situation. If we assume that the production of world-standard goods for export is a problem for all the CEMA countries, then the question of whether an economy covering the import of specific raw materials via the sale of other surplus raw materials is in a better situation--and to what extent--then an economy that does not have such surpluses can be answered only when all the factors defining the payments situation are comprehensively considered.

CEMA's Raw Materials Problems in the 1980's

The dilemma facing the European CEMA countries in the 1980's are:
--how to assure external raw material supplies;
--how to improve the relation of raw materials consumption to the economy's results.

In truth, to some degree these are 'age-old' dilemmas, but they take on special significance in this decade.

Concerning the substance of the problem of external supplies of raw materials, there is a basic difference between the highly developed capitalist countries and the CEMA countries. In these former countries, this problem is characterized mainly by its effectiveness aspect and the problem is not to pay for raw material deliveries but rather how much to pay for imports and what are and what should be the relations between convertible raw materials and manufactured products. In the socialist countries, the problem is characterized mainly by its balance aspect, which is not only an indication of the still existing technological gap but also of the system for managing the economy in which effectiveness criteria still continue to play a minor role in economic decisions, including choices that are directly or indirectly linked with exchange and international cooperation. At the same time it is obvious that the unfavorable trend in the terms of trade for the exchange of raw materials for manufactured goods is intensifying balancing difficulties.

If it is assumed that the growth rates of the national incomes of the CEMA countries will be in the 3-3.5 percent range annually, and taking into consideration the necessity of improving the indexes of the energy intensiveness of income and, in association with this, the increase in their own production of energy carriers on the order of 2 percent annually, then the projected deficit of primary energy carriers in these countries will be about 200 million tons of conventional fuel in 1985. This is more than twice the 1975 energy shortage. How will it be covered? Knowledgeable people agree that one cannot count on increased Soviet deliveries. In spite of this, it seems that certain reserves exist in the USSR which are not sufficiently considered in existing prognoses. They are linked to technical progress not only on a world scale (recovering about one-third of the crude oil still remaining in deposits) but also with the use of existing techniques which depend above all on their importation or on the Soviet Union mastering modern equipment.[7] First of all, the use of these reserves will depend on the overall political-economic situation in the world and to what extent currently frozen U.S.-USSR relations improve, and secondly on increases in crude-oil prices that will make the mentioned ventures profitable. But in this case, only about one-fourth of the crude-oil shortage, amounting to about 75 million tons in terms of conventional fuel (about 52 million physical tons), will be covered by Soviet supplies. This means that the import of oil from third countries should increase by 40 million physical tons in the course of 10 years. Thus the average increase in oil imports is supposed to be 4-5 percent annually which, if one considers the unabated pressure to expand motor transport and the existing energy-consumption structure in the CEMA countries, seems to be a rather reasonable assumption. By 1985, oil imports are supposed to increase by 25 million tons, including 6.3 million tons from the USSR. In light of existing and foreseeable realities, however, this is a highly extravagant assumption. It should be noted that current oil imports of the European CEMA members from third countries amount to 15 million tons and, thus, in accordance with the above assumptions, this import would have to increase 1.7 times by 1985 or over 11 percent annually. If the total value of imports from third countries in 1978 amounted to about $23.8 billion, then the increase in value resulting from the purchase of crude oil would have to be about $4.4 billion (based on $230/ton) or over 18 percent (3.3 percent on an annual scale). If we consider the fact that currently about one-third of all raw materials deliveries from third countries consist of crude oil, then with the above assumptions the share of crude oil in these deliveries will increase to 60 percent.

If, however, one considers the fact that world technical progress is introduced into the CEMA countries mainly via transfers from Western countries, then such debiting of the payments balance should actually hinder the development of the European socialist countries. In turn, the pressure for expanded motor transport will continue (according to estimated calculations, the increase in demand for gas will amount to about 6 million tons in 1985), and therefore limiting the increase of crude-oil imports from third countries to a level of 10-12 million tons will require radical changes in the structure of its consumption and the use of other energy carriers, mainly natural gas.

The USSR has vast resources of natural gas, probably enough to completely satisfy the present and future needs of the other European CEMA countries. The development of the USSR's natural gas resources will depend on collaboration of capital, mainly for the construction of gas pipelines. Thus, existing forms, especially cost effectiveness and clearing of accounts, will require far-reaching modifications. The possibility of increasing the share of natural gas in the structure of consumption of energy carriers is attested to by the fact that in the 1970-1978 period in Bulgaria this share increased from 2.5 to 7.6 percent; in Czechoslovakia--from 3.1 to 8.0 percent; in the GDR--from 1.4 to 11.1 percent; in Poland--from 6.3 to 6.6 percent; and in Hungary--from 15.6 to 25.7 percent.[8]

Hydropower and atomic power continue to play a minor role in the structure of consumption of energy in the European CEMA countries. Only in Bulgaria has its share of the balance of primary energy been significant--it was 7.0 percent in 1978. In the other countries it was insignificant. However, various experts refer to the prospects of expanding primary electric power. J. Biernat assumes that the growth of primary electric energy derived from atomic electric power plants will be 18 million tons of conventional fuel (about 8.400 MW). This means that the share of atomic energy in the total increase in installed power by 1985 will be in the range of 40-45 percent. In terms of conventional fuel, this will represent about 80 percent of the projected deliveries of oil and petroleum products from third countries. Other experts evaluate the possibilities in this area as being more modest. According to T. Muszkiet, the share of atomic energy in the growth of electric energy production in Poland by 1990 will be in the range of 20 percent.[9] J. Danielewski believes that an increase on the order of 10,000 MW of atomic energy power will be achieved only by 1990 and not 1985. These are very important divergences because they have a significant bearing on the structure of the growth of consumption of energy carriers, including growth based on imports. Those latter estimates appear to be more probable because they are based on the assumption that expanded fuel cooperation, above all with the USSR, will be linked with the use of that country's natural gas reserves.

Concerning nonenergy raw materials, the situation appears to be less complicated. The Soviet Union will remain the main supplier of iron ore, even though great opportunities for capital cooperation exist here. Presently, the CEMA countries supplement imports from the USSR with imports from third countries (about 20 percent). However, this does not appear to be a big problems because the total import of ores from third countries debited the balance of the European CEMA countries in 1978 by the relatively small amount of about $180 million. There is another incomparably important problem, that is the problem of the structure of production and exchange of metallurgical products and their rational consumption.

Concerning raw materials for aluminum production, the only alternative besides imports is to use nonbauxite raw materials. Regarding the decreasing possibilities of Hungary satisfying the needs of its partners for bauxite, the use of nonbauxite raw materials will become increasingly widespread.

Among the European CEMA countries (the USSR excluded), only Poland is capable of basing copper production on its own resources, but the increase in production that will be possible from exploiting these resources is estimated to be relatively small.

In addition to external supplies of raw materials, their rational consumption is a serious problem. Considering the overall severity of the raw materials problem, the CEMA countries exhibit wastefulness in their use. The consumption of primary energy per dollar of gross national income was 2.027 kg of conventional fuel for Bulgaria, 1.755 for Czechoslovakia, 1.746 for the GDR, 1.646 for Poland, 2.956 for Romania, 1.805 for Hungary, 1.961 for the USSR, and an average of 2.015 for the European countries. But this index was 0.838 for the FRG, 0.909 for Sweden, 0.714 for France, and 1.034 for the EEC countries as a whole.[10] The fact that the energy intensiveness and raw materials intensiveness of a final product are higher in the socialist countries than in the highly developed capitalist countries should not be surprising. In these latter countries, subsectors that embody the highest achievements of technical knowledge contribute a relatively large share in generating the national income, and thus the relation of growth of manufacturing to the consumption of raw materials must from the nature of things be more beneficial than in some of the socialist countries that are still at a lower level of development. Of great negative significance, however, is the fact that individual countries in both groupings differ markedly with regard to national income per inhabitant which at the same time is characterized by the absolute consumption of energy carriers which at times is higher in the socialist countries (consumption in the GDR is 20 percent higher than in the FRG, 44 percent higher in Czechoslovakia than in France and 13 percent higher in Poland than in Austria).

The relations for steel, cement, nonferrous metals and other raw materials are similar. For example, in 1975 Poland used 225 kg of steel per $1000 of national income, in Great Britain--117 kg, in the FRG--85 kg, and in France--71 kg. With a relatively much smaller volume of residential construction, Poland consumes 2.15 times more cement per resident than France and 2.8 times more than the FRG. Even more disturbing is the fact that these relations continue to deteriorate.[11] This is indicative of immense waste resulting from a lack of motivation to manage energy and raw materials economically. At the same time, many opportunities exist to save raw materials. They are inherent in every sector and subsector of industry. Certain problems related to this should be mentioned. First, investments intended to economize on raw materials are currently the main determinant for the development of the socialist countries. As a result of payment difficulties, these countries have run up against an acute raw materials barrier. Thus, eliminating imbalances to a great degree will depend to what extent raw materials savings can be achieved via internal efforts for already installed and newly created assets. Second, the main barrier for improving the raw materials intensiveness indexes lies in the system for managing the national economy. The concern here is not only about the well-known solution that now impels a producer to increase rather than reduce material intensiveness. One should look more deeply into this matter, namely at the investment lobby that is associated with the administrative structure. Once this lobby is framed in a model of industrialization based on heavy industry, it regenerates itself on a broader scale. As is known, breaking this lobby is impossible without strong social pressure of which the events in Poland are a forcible expression. Thus, essential reorientation in the consumption of raw materials can occur only on the basis of extensive systemic changes in the activities of enterprises and their organizations as well as in the activities of the central authorities. The concern here is about changes that encourage raw materials savings and about reorganizing the production and investment structure. In association with this, apparently it is not well known that beneficial structural changes regarding new material savings on a perceptible scale are possible only over the long term. It is linked strongly with investment policy which determines growth structures and at the same time the shape of economic development for the immediate future.

* * * * * * *

Poland's raw materials situation is only apparently more favorable than those in the other CEMA countries that have fewer raw material resources. The complexity of the overall economic-political situation in Poland is now incomparably greater than in the other socialist countries. The imbalance existing in our country is much more extensive than in the other countries of the grouping. One of the most critical problems that is much more severe than elsewhere is the raw materials/energy barrier which immobilizes a large part of the capital assets. An attempt at a certain estimate can be made: during the 1971-1975 period capital assets increased (in constant prices) at an 8 percent annual rate, and during the 1976-1979 period at a 9 percent annual rate; during the 1971-1975 period the import of raw materials increased (in constant prices) by 14 percent and was uniform in both geographical directions. And this is mainly where the mystery of that great acceleration in the first half of the 1970's lay hidden because not only were new assets equipped with complimentary factors (probably at high interest) but even old assets could start operating at full steam with regard to eliminating the raw materials bottleneck. The situation reversed itself radically during the second half of the decade. Capital assets increased at an even more rapid rate (because of time slippage) but raw materials imports were rapidly restrained; the average growth rate for raw material imports during the 1976-1979 period was 3 percent annually; from the socialist countries--8 percent annually, but from the other countries they decreased an average of 1 percent annually. At the same time, the fact must be considered that the unnatural growth in investments during the mid-1970's was characterized not only by substantial growth in capital intensiveness of the expansion,[12] but also--which is especially significant--by an increase in import intensiveness. That variant was realized which subjected the economy--to a significantly greater degree than previously--to highly technological materials that were 'adapted' to imported techniques, to the flow of imported spare parts and so on. Thus, if it is assumed that imports from third countries should increase at least at the same rate as capital assets in step with the full utilization of production capacities, then the difference between the value of such hypothetical and the real imports should have been $5-6 million in 1981 (and in terms of current prices about $200 million more). This is the import barrier which over the next several years will limit the expansion of the national economy.

Obviously, in view of the existing situation, this barrier should be the starting point for all plans and raw material prognoses for Poland's economy over the next several years. Problems associated with this require a separate and extensive study; only some of these problems are worthy of note here.

It is not possible or even advisable to formulate plans for Poland's economy that go beyond 2-3 years (end of the crisis). In addition, all multiyear plans and prognoses drafted more than a year ago are now obsolete.

It remains to be seen if the 1981-1982 years will be declining years in which the main task will be to gradually eliminate imbalances.

Concerning raw materials management, the following activities can have the most important results:
--limiting investments and changing their subsector structure. Immediate results will depend on the increased activity of industries manufacturing investment resources or changes in the production profile, which is much more difficult;
--implementing, on a much greater scale then now, investments directed toward saving raw materials (for example, intensifying cracking). From the viewpoint of raw materials management, this is presently the primary direction of activity because the possibilities of maneuvering here are far greater than eliminating imbalances with the aid of additional imports;
--changing the structure of production. As mentioned--despite often announced opinions--positive results are possible here in a relatively short time. Changes in the profile of production where they are technically feasible (marketing, agriculture, service, export) not only should reduce pressure on raw materials and improve the economy's raw materials intensiveness index, but also have an effect on changing the structure of their consumption.

Economic reform will be an incomparably important factor in improving the situation. It appears that one of the main criteria for changes which are possible to implement in the near term should be the effect in raw materials savings. However, voices will be raised that in the framework of the so-called minor reform it will be difficult to depart from the rigorous division of deficit factors of production. It should be remembered, however, that the severe imbalance began in Poland 5 years ago, and during this entire time heroic efforts were made to alleviate the situation by means of a paltry division. In the belief that this would produce results, the so-called WOG [Large Economic Organization] system was realized. But the result is known.

The consumption of raw material intensive luxury goods must also be limited (for example, gasoline).

The development and implementation into practice of the cost effectiveness of cooperation among the CEMA countries, including cooperation in the field of raw materials, are essential. Some problems associated with this are:
--each country calculates the cost from the point of view of its own economy, comparing variants of cooperation with other variants that satisfy the economy's raw material needs (domestic extraction, imports from third countries, investments that save raw materials). In those cases where goods included with raw materials turnovers are suited for export to a third market, world market prices should be taken into account;
--cost calculations are lacking from the viewpoint of an agreement between interested countries, especially when the possibility exists for optimizing the materials structure of investments realized jointly or when the possibility is considered for expanding turnovers of goods (raw materials or their convertible equivalents), which cannot be sold in this market or else their sale would be unprofitable (this concerns raw materials) because of obligatory prices on the world market or limited demand;
--interest rates that do not reflect the true cost of capital are not used in credit transactions. Only with true interest rates can credit be compared with internal conditions or conditions existing in the world market. Prices should also be used that permit the determination before hand of the convertible equivalent (implement in raw materials) of the allocated capital.

All actions should aim to support cooperation among the CEMA countries based on criteria of economic rationality. In the long run, this will be more understandable and justified than talking about cooperation based on the principle of an "international obligation" without knowing and considering the economic costs. However, if noneconomic premises exist that justify giving mutual assistance, then it would be reasonable and ethical if both sides were aware of them.[13]

FOOTNOTES

1. For the seven European CEMA countries (including the USSR), 3.9 percent of the total primary energy consumption is used for hydropower and atomic energy. See J. Danielewski: "Energy Problems and Cooperation of the CEMA Countries with Poland." Warsaw, 1979 (typewritten copy).

2. Ibid, p 42.

3. See T. Muskiet: "Fuel-Raw Materials Problems and Prospects for Their Resolution in Cooperation with the CEMA Countries," Warsaw, 1979, pp 27-28 (typewritten copy).

4. See TRYBUNA LUDU, 28 February 1981 and MINING ANNUAL REVIEW, 1980, London, p 45.

5. T. Muszkiet: op cit, p 18.

6. All data according to J. Danielewski: op cit, pp 42, 108, 112-113.

7. According to the evaluations of American experts, the Soviet petroleum industry is about 30 years behind the United States as a result, above all, of obsolete equipment. For example, Soviet crews require an entire year to drill a hole to a depth of 10,000 feet whereas in the United States it is done in 34 days (T. Muszkeit: op cit, p 27).

8. J. Biernat: "Raw Materials Problems of the CEMA Countries," Warsaw, 1979, pp 3, 47 (typewritten copy).

9. T. Muszkiet: op cit, p 89.

10. J. Danielewski: op cit, p 14. Estimates of national income per resident that are considered when calculating the above relations appear to be highly overstated in favor of the CEMA countries, especially Poland. According to estimates, the national income per resident in Poland was almost the same as in Italy and 25 percent higher than in Hungary, and it was higher in the GDR than in Great Britain.

11. J. Macieja: "Lowering the Material Intensiveness of Production--A Strategic Task for the Economy in the 1980's," GOSPODARKA PLANOWA, 1978, No 9.

12. Up to a short while ago, a current thesis was that debt is somewhat of a benefit, that it is not a burden on the national economy because the inflation rate exceeds the interest rate. What was forgotten, however, is that in order for there to be profits in such a situation, products from new plants must be suitable for export. But more important is that capital must be nominally relatively cheaper and possible to control. Unfortunately neither of these conditions were fulfilled.

13. Method for calculating the effectiveness of cooperation among the CEMA countries in the field of fuels are described more fully in: P. Glikman: "Effectiveness of Cooperation Among the CEMA Countries in the Field of Fuels and Raw Materials," PROBLEMY HANDLU ZAGRANICZNEGO, 1980, No 13.

11899
CSO: 2600/572

CZECHOSLOVAKIA

AGRICULTURAL INSURANCE, RESERVE FUNDS DESCRIBED

Prague FINANCE A UVER in Slovak No 2 1982, Supplement No 1 pp 31-42

[Article by Doc Eng Karol Vlachynsky, CSci: "Reserves and Insurance in Agriculture"]

> [Text] Agriculture is a sector in which the production process is essentially a biological process. The key role is played by plant production connected with the soil and area distribution throughout the territory of the entire state. As a consequence, the reproductive process in agricultural enterprises is much more affected by random fluctuations in climatic conditions than it is in other sectors. For that reason accumulation of reserves and insurance of property assumes a particular importance in agriculture.
>
> This presentation proposes a brief characterization of the risks attendant to agriculture, the current methods for coping with them, topical problems pertaining to this area and directions and potential for their solution. It is not intended to deal in closer detail with contemporary solutions which form the contents of relevant legal regulations and modifications.

1. Effects of the Singularity of Agriculture on Accumulation of Reserves and on Insurance.

1.1. Uncertainty and Risk in Agriculture

Explanation of the problems pertaining to reserves and insurance must commence with the terms uncertainty and risk interpreted as economic phenomena.

The term uncertainty is used here to denote the indeterminate, random nature of conditions, effects or results of certain phenomena or processes. The sources of uncertainty in the economic sphere can be constituted by the effects of natural forces, characteristics of the human factor and lack of information.

Risk is the kind of uncertainty in which we can avail ourselves of various methods--most often statistical--to quantify the possibility (or probability) for the occurrence of adverse alternatives. At the same time, the economic criterion for classifying alternatives as favorable is a certain socioeconomic objective.

Risks can be classified into groups according to a number of criteria. The key types of risks in agricultural enterprises can be considered to be:

--the risk of damage to property
--the risk of declining production
--the risk of declining economic results.

a. The risk of damage to property includes possible damage to or destruction of buildings and structures, machinery, equipment and supplies, dying off or forced slaughter of animals. The cause for the occurrence of this risk are natural disasters (lightning, windsotrm, flood, landslide, glacier, conflageration, explosion, etc.) on the one hand, and failure or shortcomings of the human factor (failure to meet work obligations, negligence, inadequate qualification) on the other hand.

Risks of this type are encountered in agricultural organizations as a general rule.

b. The risk of declining production is of particular importance specifically in agriculture insasmuch as it is significantly connected to the sectorial peculiarity of the reproductive process. The causes for the occurrence of most risks of this nature can be classified into two groups.

--Effects of a natural character which include climatic conditions, incidence of pest and disease damage to plants and animals. Agricultural production is connected with the soil and distribution over the entire territory of the state. Its biological character accounts for the fact that temporal and spatial variability of climatic conditions, incidence of pests and diseases primarily determines to a considerable degree plant yields. It follows from the close interdependence of the branches of agricultural production that such flucutations come to bear also on animal production.

It stands to reason that the most intensive fluctuations in production volume are encountered in monitoring the results by individual products and for individual agricultural enterprises. With expansion of the monitored territory (district, region) the fluctuations in production are reduced, because compensation for positive and negative deviations from the average are made. Nevertheless, even assessment of data for the entire state shows significant fluctuations in production

In assessment of data for 30 years (from 1948 to 1977) for the entire CSSR there occurred a decrease in grain harvest per hectare in comparison with the preceding year on 11 occasions, whereby the highest decrease between years amounted to 11.5 percent (in 1954 as compared to 1953).

Monitoring the overall volume of gross plant production (in comparable prices) for the same period shows that 12 decreases occurred in comparison with the preceding year with the highest decrease between years amounting to 14.4 percent (in 1965 as compared to 1964).

--Level of management of the reproductive process, within the framework of an individual enterprise on the one hand and within the framework of larger entities (i.e., at the level of administrative bodies above enterprises) on the other. Herein we can differentiate on the one hand between risks constituted by routine management (decisions regarding the structure of sowing and crop strains, combining plant and animal production, maintenance, renovation of eqipment and its utilization, etc.) and, on the other hand, the so-called risks posed by development (decisions regarding construction of new production capacities, introduction of new techniques, technology, biological materials and strains, implementation of a new organizational structure and management, etc.).

It is obvious that the risk of drops in production is connected also with the risk of damage to property. After all, e.g., destruction of agricultural buildings by a natural catastrophe cannot but become reflected in the level of animal production, etc.

c. Risk of decline in economic results is the most comprehensive representation of the risks attendant to economic activities of an enterprise. The risk of drops in production is reflected in it to the full extent. However, it is of a much larger scope, because it also involves all accidental factors--be they of an objective or subjective nature--that affect the level of operating costs.

1.2. Methods for Coping with Risks in Agriculture

In providing for the continuity and stability of development of the economic activities of individual agricultural enterprises--as the prerequisite for positive development of agriculture as a whole--an important role is played by elimination of risk factors and overcoming of their effects on the income producing situation of an enterprise. The following methods may be considered as basic:
--improvement of the planned management process
--utilization of the system of reserves.

a. Improvement of the planned management process from the viewpoint of elimination and overcoming the effects of risk factors on the income producing situation of agricultural enterprises includes two groups of tasks.

The first is to work out at individual levels of management (enterprise, district labor center, regional labor center, ministerial department) such a plan for the development of agriculture which would include only economically permissible risk. The latter term is to be interpreted as a risk which the enterprise concerned (or a group of enterprises) can overcome within the framework of the used system of management without critically worsening the income producing situation. Thus, it involves a plan incorporating a realistic rate of production growth, adequate solutions to the problems of diversification and specialization, prevention of risks, etc.

The second group of tasks involves use of individual tools provided by the system of planned management to react in the process of meeting the plan to occurrence of deviations from the envisioned development in such a manner as to have the occurrence of risks have the smallest possible impact on adverse development of the income producing situation.

b. Utilization of the system of reserves[1] is the decisive method for overcoming the impact of occurring risks.[2] Depending on the level at which reserves are generated, we can distinguish between decentralized and centralized reserves. According to their form we distinguish between material (natural) reserves and financial reserves.

Decentralized material reserves most often take the form of reserves of fodder and seeds. They are generated, as a rule, directly by the enterprise (but can also be generated by larger entities). Their purpose is to provide in a given enterprise for a trouble-free reproductive process even during a drop in the production of fodder, or partial repetition of sowing if needed (e.g., damage by frost, destruction by pests). The advantage here is the option of the enterprise management to operationally dispose of such reserves as well as their economic utilization (they constitute a drain on the internal resources of the enterprise). On the other hand, however, their development calls for expansion of storage facilitites, and there is also the possibility of their deterioration in the storage process. For that reason the amount deserves careful consideration.

Decentralized financial reserves take the form of contingency funds of individual agricultural enterprises (or economic production units). Their generation from the distribution of the economic profits actually represents a growth of internal resources to provide for the needs of the working capital of the plants concerned. The key purpose here is to provide for relative stability of remuneration of manpower in JRD [unified agricultural cooperatives] (or requisite allocations to incentive funds of state agricultural enterprises) even in case of a decline in economic results.

Use of resources from the reserve fund, for all practical purposes, represents for an agricultural enterprise, a reduction in internal operational resources and, as a rule, increased need for operating credits in a corresponding amount.

---

[1] The term reserve is variously defined in agriculture. A suitable formulation is: "...Reserves are that part of natural and financial funds that does not directly increase production as it is not part of the reproductive process, but which is a precondition and prerequisite for stability and dynamic development of agricultural production."

[2] Under occuring risk is meant a situation when the potential occurrence of an adverse alternative expressed by a risk has materialized, the adverse alternative did occur.

A certain problem in this respect is constituted by the fact that agricultural enterprises allocate only minimum means to supplement their revolving funds and give priority to contingency funds allocations. The reason for this is higher mobility of contingency fund resources (under certain conditions they can also be transferred into the investment sphere).

Included among decentralized financial reserves are also financial reserves of administrative bodies above enterprise level. They are as follows:
--financial reserves of District Agricultural Administrations generated from unused resources of economic tools of the fund for stabilization of manpower and the intensification fund;
--sectorial reserve funds generated by agricultural enterprises operated by the sector at economic production unit level.

Providing for effective overcoming of all occurring risks in agricultural enterprises only by means of decentralized reserves would represent an unnecessary failure to utilize great material and financial resources. For that reason a part of the risks are overcome by means of centralized reserves. The advantage offered by the latter is that they can provide an identical degree of certainty for covering the consequences of risks in individual enterprises with a much smaller amount of unutilized material and financial resources. The need for centralized reserves can be determined with relative precision by using the probability calculations based on the law of averages. On the other hand, there are disadvantages as well--namely smaller mobility of these reserves (a longer reaction time) and weakened responsibility of individual enterprises for precluding damage and for economic utilization of centralized reserves.

Centralized material reserves are generated and managed by the Administration of State Material Reserves. These take the form of grain reserves (for feeds, but also for food production purposes) and the form of strategic reserves of agricultural products.

Centralized financial reserves can be classified from the viewpoint of their generation into those generated through financial relations and those generated through insurance relations.

The first group includes the following:
--financial contingency fund of the Ministry of Agriculture and Food. It is generated by allocations from the state budget and is administered by the national ministries of agriculture and food. These resources are used for modifications and stabilization of stipulated economic instruments,
--fund for uninsurable damages in plant production,
--part of budgetary contingency fund designated for coverage of selected risks occurring in agriculture (involving primarily contributions for coverage of more extensive damages insufficiently covered by insurance).

The second group includes insurance funds of state insurance companies (Czech State Insurance Company and Slovak State Insurance Company) in the framework of agricultural insurance.

The basic orientation to improve the system of centralized financial reserves is to make more systematically certain that their use not only solves the impact of occurring risks on the income generation situation of individual enterprises, but enables them to also factually (materially) compensate for the damages that occurred in the reproductive process. The prerequisite for successfully meeting this task is to improve the structure of material balancing of centralized financial reserves. So that financial reserves are supplemented by material and capacity reserves in the requisite structure. Only in this manner will it be possible for agricultural enterprises that have obtained monetary resources from centralized financial reserves to buy those material values that will enable them to materially overcome the damage sustained in the reproductive process.

This calls for a more systematic linkage of centralized financial reserves with the system of material reserves (particularly with federal material reserves) and the foreign-exchange reserves of the state.

2. Property and Production Insurance

A particularly significant manner of generation and utilization of centralized reserve funds is insurance.

Under insurance is meant an organized, distribution and utilization by a specific institution of a centralized monetary fund generated by the insurance method (i.e., from insurance contributions by natural and legal persons who form a risk association) to cover future potential and estimable monetary needs.

Insurance of the property and of production of socialist agricultural enterprises commenced in the CSSR with the establishment of the first JRD and has been undergoing successful development ever since.

At first (since 1951) JRD insured their property voluntarily (contractual insurance). Social interest in reinforcing the economic position of the developing cooperative sector led as of the beginning of 1953 to compulsory insurance of JRD property (produce, domestic animals and other movable property) against most damages occurring as a reslut of natural disasters. In addition, the cooperatives were free to insure themselves against additional risks by voluntary insurance.

JRD property insurance in the years 1953-1959 was not only a form of redistribution of a part of revenues among cooperatives by the insurance company, but also a form of economic aid to the cooperative sector. Namely, in the specified period paid out insurance compensation exceeded the overall sum of insurance premiums paid by the cooperatives by 34 percent.

As of the beginning of 1960--as a consequence of unification and an overall increase in the level of procurement prices for agricultural produce--also increased in insurance premiums have occurred in an effort to provide an economic base for JRD property insurance. The effort has not fully succeeded because in the years 1960-1966 (mainly due to floods in Slovakia in 1965) the total sum of insurance compensation exceeded the paid-in premiums by an approximate 9 percent.

Introduction of the principles of the improved system for planned agricultural management agriculture also brought about significant changes in agricultural insurance as of 1 January 1967. Applicability of compulsory property insurance was also extended to state farms and some other agricultural enterprises in the state socialist sector. At the same time further expansion of insurance protection was offered by both compulsory and contractual insurance.

Further modifications of insurance protection and insurance premiums were carried out as of 1970 and, later, as of 1975.

At the present, property and production insurance is divided into compulsory (statutory) and voluntary (contractual) insurance.

a. Compulsory (statutory) insurance includes:
--natural disaster insurance
--domestic animal insurance
--crop insurance

Natural disaster insurance relates to the risk of damage or destruction of buildings and structures, produce, supplies from own production, other movable objects (machinery and equipment, procured supplies, money), domestic and other animals, as long as the damage or destruction occurred as the result of a natural disaster.

Ohter risks covered within the framework of this insurance include damage to or destruction of buildings through the weight of snow or ice; damage to or destruction of fibrous plants, potatoes, tobacco, viticulture stock and vegetables by frost; damage to or destruction of winter grain crops and perennial fodder crops by winter kill, as well as peronospot mildew damage to tobacco.

This insurance further relates to wasting of an animal suspected of an infection, or an animal that suffered a permanent loss of fertility or utilitarian value due to infection and losses caused by miscarriage and loss of fertility due to infection.

Crop insurance pertains to lower yield of the insured crop:
--fruit in organizations in which the planned yield of fruit crop amounts to at least Kcs 1 million in the given year, or organizations designated by the appropriate agricultural administration during plan approval as an organization specializing in fruit growing,
--hops, its vine stock and tobacco,
in cases where lower yield of crops occurred due to destruction, lower quantity or deteriorated quality of crops due to any cause that adversely affected fruit crops from 1 January till completion of picking, and crops of hops and tobacco from completion of one collection to completion of another harvest.

Preventive action by the insurance company is an integral part of compulsory insurance. Its objective is to forestall damage or lessen the extent of its effects. Measures carried out by the insurance company as part of its preventive efforts have a motivational character on the one hand and are repressive in nature on the other hand.

Motivational measures favor those insured agricultural organizations which endeavor to preclude the occurrence of insured events or lessen their impact. A form of motivation on the one hand is reimbursement for appropriate costs expended by the insured organization to prevent the insured threatening event from happening or on lessening its consequences and, on the other hand, offering reduced premiums to organizations that implement preventive measures.

Repressive effects consist in reduced insurance reimbursment when the insured event occurrs as the result of the insured organization's failure to meet its obligation to implement preventive measures.

In addition, a significant part of the prevention efforts developed by the insurance company is its direct financial participation in preventive measures (e.g., construction of fire stations, water tanks, financial participation in solution of relevant research tasks, etc.).

b. Voluntary (contractual) insurance is negotiated between the insurance company and the agricultural enterprise in the form of an independent insurance policy. In essence, this insurance can cover any risks that are agreed upon by both contractual parties. The following types of contractual insurance are provided at the present time:

In plant prodution they are:
--insurance of flowers for a case of damage or destruction by a natural disaster,
--insurance of fruit (in enterprises not subject to statutory insurance) against damage by hailstorms,
--insurance costs expended on cultivation of ergot.

In animal production it involves the following types:
--insurance of domestic animals against disease, injury, operation, delivery or miscarriage. It involves a type of insurance supplementing and expanding insurance protection included in statutory insurance. At the present it is the most widely used type of contractual insurance (yielding more than 90 percent of all insurance contributions for contractual insurance),
--insurance of animals kept for special purposes. This includes insurance of breeding stock,
--insurance against destruction of eggs in an electric incubator and dying out of 1-day old poultry,
--insurance for apiculture.

To gain a certain quantitative insight into the extent of agricultural insurance, let us outline some basic data for the Sixth Five-Year Plan. [See Table 1.]

The data show that insurance contributions for agricultural insurance for the entire CSSR in the Sixth Five-Year Plan--even taking into consideration insurance company expenses--not only fully covered paid out indemnity, but provided for an increment in the capital reserves of the insurance company, or payment of part of the resources into the state budget. Thus, insurance has an economic base and has become not only a form for redistribution of a part of the earnings of agricultural enterprises by means of centralized insurance funds, but, to a certain extent, also a form of tapping a part of the revenues from agriculture as a whole.

However, the situation is still different in this respect in the CSR and the SSR. In the CSR the overall claim ratio for agricultural insurance in the course of the Sixth Five-Year Plan was 74 percent, with compulsory insurance accounting for only 58.1 percent, but voluntary for as much as 121.3 percent.

Table 1. Progress of Insurance in Socialist Agricultural Organizations in the Years of the Sixth Five-Year Plan (in million Kcs)

(1) Roky	(2) prijaté poistné			(3) poistné náhrady			(4) škodové percento		
	povinné (5)	dobrovoľné (6)	spolu (7)	povinné (5)	dobrovoľné (6)	spolu (7)	povinné (5)	dobrovoľné (6)	spolu (7)
ČSSR									
1976	2 189	705	2 894	1 041	864	1 905	47,6	122,6	65,8
1977	2 279	760	3 039	1 729	832	2 561	75,8	109,9	84,3
1978	2 384	834	3 218	1 800	920	2 720	75,5	110,3	84,5
1979	2 478	887	3 365	2 074	1 016	3 090	83,7	114,5	91,8
1980	2 801	967	3 768	1 976	1 054	3 030	70,5	109,0	80,4
Spolu (7)	12 131	4 153	16 284	8 620	4 686	13 306	71,1	112,8	81,7
ČSR									
1976	1 436	459	1 895	537	578	1 115	36,7	125,9	58,8
1977	1 503	488	1 991	923	576	1 499	61,4	118,0	75,3
1978	1 565	541	2 106	1 031	635	1 666	65,9	117,4	79,1
1979	1 612	574	2 186	1 034	724	1 758	64,1	126,1	80,4
1980	1 827	610	2 437	1 088	728	1 816	59,6	119,3	74,5
Spolu (7)	7 943	2 672	10 615	4 613	3 241	7 854	58,1	121,3	74,0
SSR									
1976	753	246	999	504	286	790	66,9	116,3	79,1
1977	776	272	1 048	806	256	1 062	103,9	94,1	101,3
1978	819	293	1 112	769	285	1 054	93,9	97,3	94,8
1978	866	313	1 179	1 040	292	1 332	120,1	93,3	113,0
1980	974	357	1 331	888	326	1 214	91,2	91,3	91,2
Spolu (7)	4 188	1 481	5 669	4 007	1 445	5 452	95,7	97,6	96,2

Key:

1. Years
2. Pain-in Insurance
3. Paid-out Insurance
4. Incurred Loss Percentage
5. Compulsory
6. Voluntary
7. Combined

In the SSR the effects of a different structure of plant production and the effects of natural conditions caused the claim ratio--at identical rates of insurance premiums as in the CSR--to be higher overall. The total incurred loss percentage for the Sixth Five-Year Plan is 96.2 percent, of which compulsory insurance accounts for 95.7 percent, voluntary insurance for 97.6 percent. It can be stated that in the SSR insurance is in fact only a form of redistribution of a part of the earnings among agricultural enterprises.

3. Uninsurable Damages in Agriculture

Our current system of statutory and contractual insurance does not cover all damages that do occur. In plant production there remains a significant area of risks--namely drought, damp, rain, diseases and harmful pests--that according to regulations valid in the CSSR cannot be insured for the time being. At the same time damages resulting from these risks considerably exceed those from insurable risks.

To lessen the impact of uninsurable damages on the economic situation of agricultural enterprises afflicted by damage, the national ministries of agriculture and food established a Fund for Alleviation of Uninsurable Damages in Plant Production. It receives allocations from state budget resources in the framework of the total sum of budgetary resources reserved for agriculture. The ministry can use the fund for making contributions to afflicted enterprises on the basis of the amount of damage which is determined by the State Insurance Company in cooperation with an agency of the state economic management. Enterprises have no legal entitlement to receiving a contribution.

As the fund, as a rule, does not have sufficient resources to cover all uninsurable damages, in allowing a contribution the ministry takes into consideration not only the list of requirements submitted by the enterprise, but also the latter's income situation. Overall coverage provided by contributions from the fund extends to an average of less than one-fourth of the total amount of uninsurable damages.

Contributions to enterprises from the Fund for Alleviation of Uninsurable Damages in the CSSR for the years 1976-80 amounted to a total of Kcs 2,476 million. These contributions reimbursed only 9.3 percent of reported uninsurable damages (in the CSR it was 5.5 percent and in the SSR 17.7 percent).

It is true that improvement of the earning situation of enterprises afflicted by uninsurable damages can take the form of direct allocation of resources from the state budget. However, such a solution is adopted only in exceptional cases. Thus, the greatest share of uncompensated uninsurable damages must be borne directly by enterprises which should provide coverage from their contingency funds.

This constitutes a serious problem that has a significant impact on the stability of income in agricultural enterprises. In our opinion, it will have to be dealt with primarily by expansion of insurance protection.

4. Problems and Trends of Further Development of Insurance in Agriculture

Insurance protection of the property and production of socialist agricultural enterprises in our state has considerably developed ever since their inception. Nevertheless, the potential for its expansion in depth are far from exhausted. Two problem areas are to be considered as topical and urgent:
--expansion of insurance protection to other, still uninsured risks,
--transfer the types of contractual insurance with mass appeal into statutory insurance.

1. The preceding explanation showed that the still uninsured risks are of great importance to plant production and the amount of damages caused by these risks considerably exceeds the claim rate of insured risks.

Thus, e.g., in the years of the Sixth Five-Year Plan the insurance companies in the CSSR paid out a total of Kcs 7,435,488,800 as compensation for damages in plant production. From that amount the decisive amount of damage (almost 95 percent) was caused by floods, freezing weather, spring frosts and storms. However, for a comparable period there were reported uninsurable damages caused mainly by drought, damp, rain and plant diseases amounting to Kcs 26,489,000,000.

A solution which could expand insurance protection for plant production in a decisive manner would be introduction of a comprehensive crop insurance. This problem has been the subject of discussions for quite some time and computations were made of several alternative solutions. The point is that a number of important problems must be tackled in connection with this type of insurance:

a. Insure groups of plants, or plant production as a whole? The first case would involve comprehensive insurance of cereals, root crops, fodders, vegetables and special plants, i.e., hips, vines, tobacco and low-tonnage produce. The insurance company would reimburse damages caused as the result of any climatic effects if they caused the value of production of a group of produce to drop below a certain limit.

In insuring plant production as a whole, the insurance company would indemnify only when any type of climatic effects would cause the value of the entire plant production to drop below a certain limit. The rate of damage compensation for certain types of produce by higher yields of other produce would be relatively high, which would enable insurance premiums to stay at a relatively low rate. However, the problem is how would agricultural enterprises approach the task of cultivating special produce, which constitute a small share of total plant production, but the danger of risk is considerably high.

b. How to arrive at a basis for determination of premiums and for computation to total damage? There appear to be two possibilities:

--Consider the basis to be actual average yields for the past 3-5 years (with eventual elimination of years with extremely favorable results).

--Accept the yields specified in an approved plan for a given year to form the insurance basis. True, this could pose the danger of speculative overestimation of plant production plans.

c. How to appraise planned or actually attained production (or incurred damage)? Appraisal possibilities are:

--in procurement prices. a certain problem is posed by the fact that procurement prices are determined by margins and for that reason the price for a given enterprise would have to be individually determined within the given price spread (to include all supplementary amounts) with a view to the natural conditions, quality, the rate of propagation of the produce, the share of contracted deliveries, etc. This type of appraisal is currently used in statutory insurance of agricultural produce;
--in planned realizable prices. This type of production appraisal is used in fruit crop insurance and can be said to have proven viable;
--in stable prices. This type is less laborious, but it is least suited to reflect the actual deferred time value of production.

d. Should insurance premium be uniform or differentiated?
This problem can be viewd from serveral aspects.

--As regards areal differentiation of premiums (i.e., differentiated rates according to the production region or territorial entity in which the insured organization is active), it is problematic. Its adoption would tend to weaken the principle concept of insurance which consists in redistributing a part of income by means of an insurance fund among the members of an insurance association in dependence on the occurrence of insured events.

--Differentiation according to the acreage of agricultural land cultivated by the insured organization has its rational core. The larger the acreage, the higher the rate of mutual compensation between favorable and unfavorable results in the framework of the organization's plant production--allowing determination of lower insurance premiums. The quantitative impact and significance of this approach requires further study.

--Differentiation according to the rate of damage incurrence (i.e., stipulate lower premiums for an organization that incurs less damage over a long-term period) could provide an incentive for organizations for prevention of damage occurrence. After all, optimum agrotechnical measures can partially eliminate the effects of draught, suitable chemical protection can limit damage caused by diseases and pests, etc. However, determination of the intensity of such limitations calls for accumulation of experience regarding the factual progress of damage occurrence. For that reason this problem could be dealt with only after a certain time lapse following introduction of comprehensive crop insurance (e.g., by introducing a bonus system for damage-free operation).

e. Calculation of insurance premiums calls for a widely based determination of fluctuations in plant production of agricultural enterprises over a number of years (8-10) and for utilization of experience gained in the already valid comprehensive insurance of fruit crops. The insurance premiums should be determined on an economic basis.

f. The amount of insurance premiums depends to a considerable degree on the extent to which the insured organization participates in allaying the suffered damages. On the whole, such participation is considered to be a desirable element of this type of insurance. Its form can be either fixed (the insurance company pays when the damage exceeds a certain percentage of the value of insured production), or variable (the insurer would be obligated to pay a certain percentage of the determined difference between planned and actually achieved production).

g. The problem to be also dealt with is whether the contingency fund for comprehensive crop insurance should be formed within the overall insurance fund of the insurance company, or as a separate contingency fund.

Solutions to the above problems cannot rely only on theoretical assumptions and calculations, but call for their verification in practice. Only in this manner can material be acquired for assessment of agricultural enterprise management under the individual varying types of insurance.

The first verification for a type of comprehensive insurance is provided by the general application of fruit crop insurance (since 1 January 1976). An analysis of its functioning over a 5-year period pointed out that the insurance did contribute to stabilization of earnings of agricultural enterprises specializing in fruit growing. However, it failed to provide incentives designed to promote reduction of damage to crops.

Verification of a somewhat different model was experimental introduction of hops and tobacco crop insurance (as of 1 January 1980).

The insurance base is formed by a 5-year average of actually achieved yields per hectare of cultivated areas appraised in realizable prices. The upper limit for insurance payment is constituted by the difference between the insured and actually achieved yield.

The relatively short application of this model did not as yet provide adequate verification of the employed principles. Nevertheless, it can be preliminarily stated that the 5-year average forming the insurance base prominently reflects total or extensive damages which in the course of at least 4 years reduce the insurance base in the given organization.

Both cases involve crop insurance for produce the cultivation of which does pose a relatively high degree of risk, but its share in the total volume of plant production is not significant.

Of decisive importance to dealing with problems regarding the still uninsured risks in plant production is verification of an insurance model that would apply to key plants or all produce. An attempt at such verification is the experimental verification of statutory comprehensive crop insurance for produce of socialist agricultural organizations, which commenced in 1981.

The experiment can be characterized by the following basic principles:

--insurance applies to groups of produce (not to plant production as a whole). Damage compensation within groups of produce applies to individual produce included in the group;

--insurance applies to reduction in the insured yield caused by destruction or reduced quantity or deterioration in the quality of crops by any event that occurred during the period between sowing (planting) and completion of harvesting (with the exception of events for which blame can be ascribed to the insured or some other organization);

--the insured yield is determined as a sum of insured yields of individual produce in each group. Insured yield denoted herein the value of harvest from the acreage actually planted by a given produce in a given year and is determined as a multiple of the average of three highest yields per hectare achieved by the agricultural organization in the last 5 years and the planned realizable price of the produce concerned (to which differential and other supplementary payments);

--rates for insurance premiums for the calendar year are determined from the value of the insured yield for the following groups of produce:

cereals and grains for seed	5.2 percent
root crops	12.6 percent
oleaginous and textile plants	15.9 percent
fodders	11.0 percent
vegetables	13.3 percent
medicinal herbs and spices	12.5 percent
grape-producing vines	14.0 percent

--the basis for determination of the amount to be paid by the insurance company is constituted by the difference between the insured yield of individual groups of produce and the yield actually attained. From this difference the insurance company provides an indemnification in the amount of 80 percent (20 percent are borne by the agricultural organization as participant in damage sustenance);

--the insurance company provides bonus payments for a favorable progress of damage occurrence. The reduction in insurance premiums amounts to

35 percent when the insurer did not incur obligation for payment of crop insurance in a given year
20 percent when indemnification did not exceed 10 percent of insurance premiums in a given year
10 percent when indemnification did not exceed 20 percent of insurance premiums in a given year;

--from the paid-in insurance premiums the insurance company provides financial contributions for prevention of damage in plant production (construction of irrigation facilities, multipurpose water tanks, water management, amelioration and drainage projects, etc.).

The experiment commenced in the SSR as of 1 March 1981 in 13 agricultural organizations.

The experiment with comprehensive crop insurance in the CSR was started by 35 agricultural organizations along similar principles. The only difference is that this insurance was extended to two additional groups of produce, namely tobacco and hops.

Problems attendant to this type of insurance as well as the progress of the experiment show that introduction of comprehensive crop insurance still poses a number of ponderables which will have to be intensively examined and dealt with.

It is true that the rates for insurance premiums are relatively high and that they might be considerably taxing for economically weaker agricultural organizations and, at current earning relations, be almost unbearable.

However, on the other hand, we must keep in mind the extent of the still uninsured damages, only minimally covered by the resources of the fund for alleviation of uninsurable damages, which also must be covered by means of allocation of resources from the state budget. It appears that the thus utilized budgetary resources would be better applied in the form of allocations to a certain group of enterprises for partial coverage of insurance premiums for comprehensive crop insurance. Such a solution would definitely provide more incentives than a posteriori dealing with consequences of damages not covered by insurance.

In regards to this problem we would like to express in conclusion our conviction that comprehensive crop insurance represents a viable option for the future. On the one hand, it can substantially expand the insurance protection of agricultural enterprises and in so doing reduce fluctuation of their revenues from year to year and, on the other hand, contribute to a more streamlined operation of insurance companies in liquidation of damages in plant production (the focus of their liquidation operations would shift from the current inspections of individual areas and laborious determination of the percentage of damages into the sphere of verification of circumstances that can adversely affect the overall yield of plant production).

2. The second important approach to consolidation of insurance protection and rendering insurance more effective and efficient is to transfer those types of contractual insurance that have a mass appeal into the sphere of statutory insurance.

Mass appeal of some type of contractual insurance is a confirmation of its meeting a general need and offering an advantage from the viewpoint of development of agriculture. Economically backward agricultural organizations, as a rule, are not insured. They claim that payments for additional insurance would constitute for them an unbearable increase in costs. However, when such an organization sustains damage due to the occurrence of a given (in the given organization uninsured) risk, it demands compensation through an emergency nonreimbursable allocation from budgetary resources.

Transfer of such a type of insurance into the sphere of statutory insurance would force also the above organizations to insure themselves against the specific risk, which would not only expand the insurance association and make insurance company operations easier, but would also promote more efficient use of budgetary resources. The subsequent increase in costs, which could be taxing for backward organizations, could be dealt with in their case for a temporary period by non-reimbursable allocation of budgetary resources for payment of insurance premiums.

Under our current conditions the type of contractual insurance with mass appeal is contractual insurance of domestic animals against disease, injury, operation, delivery or miscarriage. We belive that the idea of transferring this type into the sphere of statutory insurance is viable and, in the course of the Seventh Five-Year Plan, calls for conduct of sample surveys and quantification required for its implementation.

8204
CSO: 2400/207 END

END OF
FICHE
DATE FILMED

June 18, 1982